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UNCLAS SECTION 01 OF 02 ROME 001442

SIPDIS

TREASURY FOR WSCHUERCH, MJASKOWIAK
USDA FOR FAS/LYNN REICH AND DAVID WINKELMAN
STATE FOR IO/EDA ROSE BERNSTEIN
USAID FOR AA/PPC;DAA/G/EGAD;AFS

FROM FODAG

E.O. 12958: N/A

TAGS: [AORC](#) [EAID](#) [IFAD](#) [EAID](#) [AORC](#) [IFAD](#)

SUBJECT: REPORT OF IFAD FIRST CONSULTATION ON THE SIXTH
REPLENISHMENT

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REF: 01 ROME 06528

11. SUMMARY: THE FIRST CONSULTATION ON THE SIXTH
REPLENISHMENT MET FEBRUARY 21. WHILE PARTICIPANTS DEVOTED
MOST OF THEIR COMMENTS AND QUESTIONS TO THE TERMS OF
REFERENCE OF THE RECENTLY PROPOSED REVIEW OF IFAD'S
IMPACT, A SIZEABLE NUMBER OF MEMBERS CONTINUED TO EXPRESS
CONCERN AT IFAD'S INVESTMENT POLICY AND THE LOSSES THAT
HAD BEEN INCURRED AND AT THE COSTS TO IFAD OF DEBT
FORGIVENESS (HIPC) AND HIPC'S RELATION TO THE UPCOMING
REPLENISHMENT. MEMBERS AGREED TO MEET IN THREE MORE
SESSIONS OF CONSULTATIONS WITH A VIEW TO CONCLUDING THE
SIXTH REPLENISHMENT NEGOTIATIONS BY THE END OF THE YEAR.
END SUMMARY

FIRST CONSULTATION ON IFAD'S SIXTH REPLENISHMENT

12. THE FIRST CONSULTATION ON IFAD'S SIXTH REPLENISHMENT
MET FEBRUARY 21, 2002. PRESIDENT BAGE KICKED OFF THE
SESSION BY STATING THAT IFAD HAS THE "PROVEN CAPACITY" TO
DO ABOUT USD 450 MILLION IN LENDING ANNUALLY, BUT THAT
THE LENDING LEVEL COULD BE RAISED. HE ENCOURAGED DONORS
TO USE "PROVEN INSTRUMENTS" SUCH AS IFAD IN WORKING TO
REACH THE MILLENIUM SUMMIT GOALS. THE GROUP AGREED TO THE
PROPOSED DATES (APRIL 18-19, JULY 2-3 AND OCTOBER 9-10)
FOR THE SECOND, THIRD AND FOURTH CONSULTATIONS AND THE
PROPOSED WORKPLAN. PARTICIPANTS DISCUSSED THE EXTERNAL
REVIEW OF THE RESULTS AND IMPACT OF IFAD OPERATIONS
(REQUESTED BY LIST A (OECD COUNTRIES) AT THE BEHEST OF
THE U.K.); THE SECRETARIAT-DRAFTED INDICATIVE OUTLINE OF
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THE CONSULTATION'S FINAL REPORT AND RESOURCE SCENARIOS
FOR THE SIXTH REPLENISHMENT FRAMEWORK. DISCUSSION
FOCUSSED ON THE FOLLOWING TOPICS:

THE EXTERNAL REVIEW

13. DISCUSSION OF THE PROPOSED EXTERNAL REVIEW CONSUMED
MOST OF THE DISCUSSION -- BOTH IN THE LIST A MEETING
PRIOR TO THE CONSULTATION, AND DURING THE CONSULTATION
ITSELF. WHILE THERE WAS LITTLE DISAGREEMENT BETWEEN
DONORS AND RECIPIENTS ON THE PRINCIPLE OF NEEDING REGULAR
EVALUATIONS OF IFAD'S IMPACT AND THE UTILITY OF SUCH A
REPORT, QUESTIONS AROSE PRIMARILY IN THE CONTEXT OF THE
SHORT TIME FRAME OF THE REVIEW, ITS CONNECTION TO THE
CONSULTATIONS, AND THE EXACT ROLE OF FIELD VISITS (THE
REVIEW IS PRIMARILY A REVIEW OF EVALUATIONS CONDUCTED TO
DATE, WITH SOME FIELD VISITS TACKED ON.)

14. IN A LIST A MEETING PRIOR TO THE OPENING OF THE
SESSION, FINLAND AND THE U.K. STRESSED THAT ANY REVIEW
SHOULD IDENTIFY -- NOT WHETHER IFAD PROJECTS WERE
SUCCESSFUL SINCE THE MOVE TO "SECTOR AND BUDGET SUPPORT
MADE PROJECT EVALUATION DIFFICULT" -- BUT WHETHER IFAD
HAD MANAGED TO ADVOCATE THE NEEDS OF THE RURAL POOR
WITHIN THE WORLD BANK PRSP PROCESS. USDEL RESPONDED THAT,
ON THE CONTRARY, UNDERSTANDING PROJECT IMPACT AND
OUTCOMES WERE ESSENTIAL.

15. DURING THE CONSULTATION SESSION ITSELF, MOST LIST C
(DEVELOPING COUNTRIES) PARTICIPANTS WERE CONCERNED WITH
THE CRITERIA FOR SELECTING THE COUNTRIES FOR THE FIELD
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VISIT AND THE LEVEL OF PARTICIPATION OF THE COUNTRY
CONCERNED. ONLY INDIA PROBED THE TACTICAL REASONS FOR
THE PROPOSED REVIEW AND EMPHASIZED THAT THERE SHOULD BE
NO LINKAGE BETWEEN THE CONCLUSIONS AND THE REPLENISHMENT
AT HAND (THE NETHERLANDS RESPONDED THAT MEMBERS WOULD
DRAW THEIR OWN CONCLUSIONS FROM THE REVIEW.) USDEL STATED

THAT THE REVIEW WAS A COMPROMISE BETWEEN TIME AND SCOPE AND THAT IT WAS LITTLE MORE THAN A REVIEW OF OTHERS' WORK.

PRELIMINARY VIEWS ON THE DESIRED LEVEL FOR THE NEXT REPLENISHMENT

16. SAUDI ARABIA STATED THAT HIS COUNTRY WOULD CONTRIBUTE TO THE SIXTH REPLENISHMENT, AND WAS WILLING TO LOOK AT ALL POSSIBLE LEVELS FOR FUNDING THE REPLENISHMENT TO REACH A LEVEL "WHICH IS CONSIDERED ADEQUATE." THE NETHERLANDS, SPEAKING FOR LIST A, EXPRESSED HIS GROUP'S WISH TO START AND CONCLUDE THE CONSULTATIONS AS SCHEDULED AND TO MAKE THEM "AS SUCCESSFUL AS POSSIBLE." PAKISTAN STATED THAT IFAD MUST HAVE CONSISTENT, STABLE AND CREDIBLE LENDING LEVEL: THIS WAS AT LEAST USD 450

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ACTION IO-00

INFO	LOG-00	NP-00	AID-00	AMAD-00	CIAE-00	COME-00	CTME-00
	DODE-00	ITCE-00	SRPP-00	EB-00	EXME-00	EUR-00	UTED-00
	TEDE-00	INR-00	ITC-01	NSAE-00	OES-01	OIC-02	OMB-01
	OPIC-01	SS-00	STR-00	TEST-00	SAS-00	/006W	

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TO SECSTATE WASHDC 2864
USMISSION USUN NEW YORK
USMISSION GENEVA
INFO USDA FAS WASHDC 2063
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MILLION AT 1996 PRICES; HE ALSO ARGUED THAT HIPC COSTS SHOULD NOT CUT INTO IFAD'S LENDING LEVEL, AND THAT "DONORS NEEDED TO FIND THE SOLUTION." PAKISTAN ALSO STATED THAT HIS COUNTRY WAS WILLING TO SHOULDER A "FAIR SHARE" OF WHATEVER WAS DECIDED. INDONESIA STATED THAT THE BURDEN SHARING FOR THE NEXT REPLENISHMENT NEEDED TO REFLECT COUNTRIES' ABILITY TO PAY BASED ON WHAT HE CALLED "REAL ECONOMIC CONDITIONS." HE NOTED IN THIS REGARD THAT THE 1997 ASIAN FINANCIAL CRISIS HAD AFFECTED INDONESIA'S ABILITY TO MAINTAIN ITS FUNDING LEVEL, AND THAT "FOUR-FIVE" MORE YEARS WOULD BE NEEDED FOR INDONESIA'S RECOVERY.

CONCERNS ABOUT IFAD'S FINANCIAL HEALTH

17. THE DELEGATE OF FRANCE WAS CONCERNED ABOUT THE SPEED WITH WHICH IFAD WAS MOVING TO REDUCE ITS EQUITIES PORTFOLIO; HE ALSO STATED THAT INVESTMENT LOSSES COULD NOT JUSTIFY ACCESSING THE WORLD BANK HIPC TRUST FUND FOR IFAD'S HIPC COSTS.

18. USDEL STATED THAT IFAD NEEDED A STRONGER -- BUT ESPECIALLY A MORE STABLE -- FINANCIAL BASE. HE CALLED THE "CREATIVE USE OF THE ADVANCE COMMITMENT AUTHORITY (ACA) TROUBLING" AS IT WAS USED WHERE THE PERCEIVED NEED AND AVAILABILITY OF RESOURCES DID NOT MATCH. HE NOTED FURTHER THAT THE USE OF THE ACA IMPAIRED FLEXIBILITY AND "MORTGAGED THE FUTURE." USDEL STATED THAT THE U.S. WOULD REQUEST ADDITIONAL SCENARIOS, INCLUDING A BASE CASE OF MAINTENANCE OF NOMINAL CONTRIBUTION LEVELS; CONSERVATIVE INVESTMENT INCOME; A GOOD ESTIMATE OF REFLOWS, AND NO USE

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OF THE ACA. USDEL ALSO REQUESTED A PRESENTATION FROM THE WORLD BANK (WB) HIPC TRUST FUND AT THE NEXT CONSULTATION, NOTING THAT THE DELEGATES IN ROME WERE NOT WELL-INFORMED ON THE TRUST FUND. IN THIS REGARD, HE POINTED OUT THAT THE TRUST FUND ALREADY HAD A FINANCING GAP OF USD 700 MILLION -- USING MONEY FOR IFAD WOULD ONLY WIDEN THE GAP.

HE STATED THAT IDA HIPC WAS FUNDED ON A "PAY AS YOU GO" BASIS -- WITH THE HIPC NEEDS BEING CONSIDERED WITH EACH REPLENISHMENT. AS FAR AS IFAD USING THE WB TRUST FUND, IFAD HAD BEEN "PERCEIVED" TO BE IN A DIFFERENT FINANCIAL SITUATION WHEN THE TRUST FUND WAS CREATED. HOWEVER, THIS COULD ALWAYS BE RECONSIDERED. HE NOTED, IN THIS CONNECTION, THAT IT WAS HARD TO ENVISION NOT HAVING A SECOND ROUND OF HIPC REPLENISHMENT.

19. THE DELEGATES OF ARGENTINA AND ALGERIA EXPRESSED CONCERN ABOUT IFAD'S INVESTMENT POLICY AND ASKED FOR UPDATES ON PROGRESS IN REDUCING IFAD'S EQUITY EXPOSURE IN LINE WITH THE AGREEMENT OF THE LAST EXECUTIVE BOARD SESSION (REFTEL). THEY ALSO EXPRESSED DOUBTS ABOUT IFAD'S ABILITY TO FIND FUNDING FOR HIPC COSTS. THE DELEGATE OF ARGENTINA ASKED FOR COMPLETE CLARITY AS TO HOW HIPC RELATED TO THE REPLENISHMENT.

ALLOCATION OF RESOURCES

110. USDEL STATED THAT IFAD NEEDED TO USE RESOURCES STRATEGICALLY AND EFFECTIVELY FOR GREATEST INFLUENCE: NOT JUST PROVIDE LOANS TO COUNTRIES BECAUSE THEY WERE MEMBERS. HE SAID THAT CRITERIA SHOULD INCLUDE:
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COUNTRIES IN THE MOST DIFFICULT SITUATION AND WHERE IFAD CAN BEST MAKE A DIFFERENCE. THE NETHERLANDS ALSO NOTED THE IMPORTANCE OF LINKING THE FOLLOW-UP TO THE IFAD V PLAN OF ACTION WITH THE REPORT OF IFAD VI AND WITH THE FUNDING LEVEL. OTHER LIST A COUNTRIES (NETHERLANDS, SWITZERLAND) STRESSED THE IMPORTANCE OF LINKING IFAD'S STRATEGIC PLAN TO THE RESOURCES NEEDED FOR THE NEXT REPLENISHMENT.

111. DAS SCHEURCH DID NOT CLEAR THIS CABLE PRIOR TO DEPARTING ROME. HEILEMAN

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